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ABSTRACT

This booklet is designed to guide readers through the different stages of retirement planning, starting with goal setting. It is suitable for personal use by adults or for classroom use in junior high through adult consumer education classes. The booklet explains how to determine one's current financial status as well as how to estimate retirement needs and develop a strategy for meeting them. Also discussed are the various retirement savings programs available to individuals, whether self-funded, employer-provided, or government-paid. Finally, the subject of medical insurance is covered, followed by a brief section on wills and estate planning. Specific topics covered by this guide include the following: retiring to financial independence; preparing for retirement; your retirement strategy; employer retirement programs; individual savings plans; government retirement programs; individual savings plans; government retirement plans; health-care programs; and handling your estate. A glossary of terms and a list of organizations, books, and pamphlets are included in the guide.

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Your Retirement Dollar

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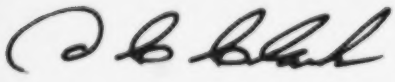

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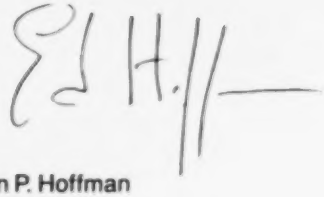

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Your Retirement Dollar

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Introduction

For some retirement may seem a long way off, for others it may be on the horizon. Whatever your situation, to be financially secure in your retirement years, you'll need to plan.

YOUR RETIREMENT DOLLAR is designed to guide you through the different stages of retirement planning, starting with goal setting. You'll learn how to figure where you are now—financially speaking—as well as how to estimate your retirement needs and develop a strategy for meeting them.

Also discussed are the various retirement savings programs available to individuals—IRAs, Keoghs and RRSPs in Canada. Various employer-sponsored retirement plans such as the 401(k) and other profit sharing and thrift plans are outlined, along with Social Security in the U.S. and the Canada/Quebec Pension Plans, which are government-sponsored. Lastly, the subject of medical insurance is covered, followed by a brief section on wills and estate planning.

With people living longer, you may well spend 20 or more years in retirement. By planning ahead, they can be happy and productive ones.

Table of Contents

Retiring to Financial Independence 3

Preparing for Retirement 4
- Figuring Your Net Worth 4
- Calculating Your Retirement Needs 4
- Sources of Retirement Income 7

Your Retirement Strategy 10
- Sources of Information 10
- Developing an Investment Plan 10
- Handling Risks 12
- Choosing an Investment Mix 12
- Using Financial Planners 14
- Reviewing Your Portfolio 14

Employer Retirement Programs 15
- U.S. Private-Sector Plans 15
- Canadian Private Plans 19
- Public-Sector Retirement Plans 19

Individual Savings Plans 20
- Individual Retirement Accounts 20
- Keogh Plans 20
- Annuities 21
- Registered Retirement Savings Plans 21

Government Retirement Plans 22
- U.S. Social Security 22
- Canada Government Plans 24

Health-Care Programs 25
- Medicare 25
- Medicare-Supplement Insurance 26
- Employer Group Health-Insurance Plans 26
- Health Maintenance Organizations 27
- Long-Term-Care Insurance 27
- Medicaid 27
- Life-Care Communities 27
- Canada Health-Care Benefits 27

Handling Your Estate 28
- Wills 28
- Estate Taxes 28
- Trusts 28

Glossary 30

Suggested Resources 31

Acknowledgments 32

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Retiring to Financial Independence

Everyone, it's safe to say, would love to be financially independent, and the sooner the better. Most of us, however, will be quite happy to achieve it by 60 or 62—i.e., to have enough income by that time to maintain the lifestyle we've been enjoying. Or to create an entirely new one! (Financially independent people have that choice.)

Your Retirement Dollar is for readers from their mid-twenties on, who want to know just how this can be done. Many young adults, after all, are focusing not on the gold watch at 65 but on the freedom needed to realize their dreams by their early 40s or before. They'd like to "retire" to return to school, start a business or save the Amazon rain forest. Maybe even to join a circus or to sail round the world. The major concern of most readers approaching 50, on the other hand, is probably a good, steady income upon retirement.

Whether you're pursuing rainbows or a financially secure retirement, it will take lots of money to support your lifestyle after the paychecks stop. Financial independence at the "normal" retirement age is almost a sure thing for those who set up a good retirement plan and carefully follow it. Particularly if they get an early start.

The most profitable time to begin working on a "freedom fund" is between the ages of 21 and 35—the *wealth-building years*—the most crucial period of all for earning money and having it grow. Why? Because of *the time value of money, the magic of compounding,* and *tax-deferred savings methods.*

If at age 21 you begin investing $2,000 a year into an IRA *for 10 years* at an average annual return of 9 percent, you will have over $620,000 by 65—without contributing one dime to the account after age 30.

If, on the other hand, you wait 10 years to start contributing to a similar account and continue until age 65—a total of 35 contributions in all—your total will be approximately $431,000—considerably less!

We're not saying that saving is easy and we're not saying it's fun. We're saying that if you can manage it, retirement at an early age is by no means an unattainable goal!

If you have more modest ambitions—say retiring at 62 at the earliest—you probably can build quite a respectable retirement fund even if you wait till your mid-forties to start. You'll have to put aside considerably more money annually than if you'd started earlier. Actually, no matter where you are in the life cycle, there are strategies that can help you build up a fund during your remaining years on the job.

Preparing for Retirement

What will it take to make your retirement dreams come true? Get out your pencil and paper, turn on your calculator or better still your personal computer, and get ready to do some figuring. Don't be afraid. It's better to have a rough idea than to be totally in the dark.

Figuring Your Net Worth

A net worth statement is a personal inventory of all that you own (assets) and all that you owe (liabilities). Preparing a net worth statement will provide you with a starting point. Then, in the years to come, use it as a yardstick to measure your progress.

To figure your net worth, fill in the chart on page 5, beginning with those assets that can be readily converted into cash—money in checking and savings accounts, money market funds, etc. Check the financial section of the newspaper or ask your broker for the current value of any securities you own. The real estate section of the newspaper can provide a general idea of what your house is worth and the auto section will give you the market value of your car. Contact your personnel or benefits office and find out what pension benefits you are entitled to. Then, estimate the value of your furniture, major appliances and any other highly valued items. Consider what they would sell for today, not the cost of replacing them.

Next total your debts or liabilities. In most cases your mortgage constitutes your largest debt, but the amounts owed on a car and/or credit cards can also add up to a substantial sum. Now subtract your liabilities from your assets. Are you surprised by the total amount? By completing this exercise on an annual basis, you'll know if your net worth is increasing, decreasing, or staying the same. Note: If you are nearing retirement age, it is important to examine your liabilities closely. Once retired, your income will be more limited and inflation's impact more strongly felt.

Calculating Your Retirement Needs

Before you can determine how much money you will need for retirement, you must first calculate what you *currently* spend on taxes, food, housing, etc. If you have a financial plan, that's great. Begin filling in your monthly expenses in the left-hand column of the chart on page 6. If you have no idea what you spend, try flipping through your checkbook register, receipts and credit card statements to reconstruct your spending patterns. Writing down your expenses in a small notebook or plugging them into a personal computer for several weeks will also help you to obtain a reasonable estimate.*

Once you know your current expenses, you can begin estimating what your retirement expenses will be. These figures should be entered into the right-hand column of the chart on page 6. (If you are a long way from retirement, figure what your expenses would be if you retired today. Inflation can be factored into the picture at a later date.)

Typically, retirees require 60 percent to 80 percent of their preretirement income to maintain their current standard of living. But don't assume that you'll be spending less. There is inflation to contend with and, while some spending categories will decrease, others are likely to increase. For example, your mortgage may be paid off, and child rearing and college expenses will probably have dropped, unless you're planning to help with the grandchildren or return to school yourself.

The percentage of income spent on gifts, food and charity will most likely stay about the same, even though these are discretionary items. Expenditures for clothing may decline, depending on how active your retirement is. Some retirees spend less on business attire but more for casual wear. And daily commuting costs will be eliminated.

If you plan to travel a lot, no doubt your vacation costs will be higher. Medical and dental expenses jump significantly, due to more physical problems and the need for supplemental medical care coverage. Entertainment and hobbies usually account for a greater portion of the household budget as well.

Property taxes are likely to rise although some areas offer special tax breaks to seniors. Condo owners can expect higher maintenance fees and nonhomeowners increases in the rent. As for the Social Security taxes you pay, these will stop unless you plan to work part-time.

The Inflation Factor

Inflation is like an auction. With too many dollars bidding for too few goods, the result is rising prices. Since even a moderate increase can have a major impact on your retirement needs, inflation is an important factor to consider.

To determine how your expenses will be affected, see the chart on page 7. First select the number of years you have until retirement in the far left-hand column. Next, decide which rate of inflation—from 2 percent to 12 percent—you feel most accurately predicts the future. Where these two columns intersect is your inflation factor. For example, if you have ten years until retirement and anticipate a 6 percent annual rate of inflation, your inflation factor is 1.79. This means that you will need $1.79 to replace every $1.00 that you currently spend. ($1.00 x 1.79 = $1.79)

To obtain a rough estimate of how inflation will affect your retirement expenses, first multiply your monthly estimated retirement expenses from the chart on page 6 by 12. This will give you a total *annual* estimate. Then multiply this figure by the appropriate

*See the MMI booklet, YOUR FINANCIAL PLAN, listed on the inside back cover for detailed information on financial planning.

YOUR NET WORTH STATEMENT

What You Own		What You Owe	Date
Cash in checking accounts	$	Mortgage debt (home and other real estate)	$
Cash in savings accounts		Installment debts (balance due on loans outstanding)	
Money market funds		Automobile(s)	
Certificates of deposit		Furniture and appliances	
Current value of government savings bonds		Second mortgage	
Cash surrender value of insurance policies		Other	
Equity in pensions		Personal loans	
Equity in profit-sharing plans		Current bills outstanding	
Employer-sponsored savings plans		Medical and dental	
Current value of annuities		Credit cards (department store accounts, bank cards and gasoline cards)	
Loans owed you			
Retirement funds			
Individual Retirement Accounts (U.S.)			
Keogh Plan (U.S.)			
Registered Retirement Savings Plan (Canada)			
Tax refunds due		Taxes due	
Cash value of ownership in a business		Other liabilities	
Market value of securities			
Bonds			
Stocks			
Mutual funds			
Investment trusts		**Total Liabilities**	$
Cash value of personal properties			
Home and other real estate		**Your Net Worth (Assets Minus Liabilities)**	$
Automobile(s)			
Furniture			
Appliances			
Other (furs, jewelry, antiques, fine art, etc.)			
Other assets			
Total Assets	$		

inflation factor. Since inflation does not stop just because you have retired, you may even want to estimate expenses five, ten or fifteen years into retirement.

Learning to Save

It's never too soon to sit down and think about your income needs at retirement and how you are going to provide for them. By getting an early start you can take advantage of the magic of compounding, where over time even small amounts can grow into substantial sums.

Financial consultants often recommend that young people, who are just starting careers, begin with an emergency fund equal to two to three months' take-home pay. Ideally they should continue to save, gradually increasing the percentage of income set aside for retirement. Individuals in their fifties and older need to allocate as much as their income will allow to ensure adequate retirement savings.

If you have not yet developed the savings habit, here are some tips to get started:

- Pay yourself first. Savings should be considered a regular expense in your household budget.
- Enroll in an employee savings plan where the money is automatically deducted from your paycheck.
- Pay off your installment debts, so there will be less going out in finance charges.
- Continue to make payments to yourself after paying off an installment loan.

An easy way to determine how fast your savings will double is to use the rule of 72. Divide the number 72 by the interest rate you expect to achieve on your investments. For example, at a 6 percent rate of return, it will take 12 years to turn $100 into $200. At 8 percent you could double your assets in 9 years.

FIGURING YOUR RETIREMENT EXPENSES

Expenses	Current Monthly Expenses	Estimated Monthly Retirement Expenses
Savings	$	$
Income Taxes		
Social Security*		
Rent or Mortgage (including property taxes)		
Installment Debt (including credit card payments)		
Utilities		
Day Care/Child Care		
Insurance		
Food		
Clothing		
Household Maintenance		
Transportation		
Personal Care		
Medical		
Entertainment/Recreation		
Travel/Vacation		
Contributions		
Gifts		
Other		
Total Monthly Expenses	$	$

Monthly expenses x 12 = total *annual* expenses $_____

*In Canada, Canadian government plans

FACTORING FOR INFLATION						
Years to Retirement	**2%**	**4%**	**6%**	**8%**	**10%**	**12%**
1	1.02	1.04	1.06	1.08	1.10	1.12
2	1.04	1.08	1.12	1.16	1.21	1.25
3	1.06	1.12	1.19	1.25	1.33	1.40
4	1.08	1.17	1.26	1.36	1.46	1.57
5	1.10	1.22	1.33	1.46	1.61	1.76
6	1.13	1.25	1.41	1.58	1.77	1.97
7	1.15	1.32	1.50	1.71	1.94	2.21
8	1.17	1.37	1.59	1.85	2.14	2.47
9	1.19	1.42	1.68	1.99	2.35	2.77
10	1.22	1.48	1.79	2.15	2.59	3.10
15	1.35	1.80	2.39	3.17	4.17	5.47
20	1.49	2.19	3.20	4.66	6.72	9.64
25	1.64	2.67	4.29	6.84	10.83	17.00

Sources of Retirement Income

Where will the money come from? Your next step is to identify your potential income sources and estimate what these amounts will be. Keep in mind there are no guarantees; any number of things can happen between now and your retirement. So it is up to you. After reading the following section and obtaining the figures you need, complete the chart on page 8. And don't forget to allow for inflation!

The three most common sources of retirement income include: Social Security,* pension plans, especially those which are tax deferred, and personal savings. The most widely used is Social Security, which was designed to be a supplement to other sources of income. It should never be the *only* source! (For more information on Social Security, see the section on page 22.)

A second source of retirement income is your employer. Many employers, especially large corporations and the government, contribute to employee pension plans. Often employees do also. Because plans vary, check with a representative in the human resources department for details. He or she should be able to give you some ballpark figures. Of course, these numbers become more meaningful if you are fully vested and near retirement age. (For more information on employer-sponsored plans, see the section on page 15.)

Personal savings are the assets that you are currently amassing for retirement. These can include Individual Retirement Accounts, Keogh plans, Simplified Employer Pension Plans, various savings and investment vehicles, rental income, annuities, and the Registered Retirement Savings Plan in Canada, among others. (These are discussed on page 20.)

*In Canada, Old Age Security Program and the Canada/Quebec Pension Plan

ESTIMATING YOUR RETIREMENT INCOME

Source of Income	Monthly Income	Annual Income
Government Retirement Plans		
• U.S. Social Security	$_____	$_____
• Old Age Security Program*	_____	_____
• Canada/Quebec Pension Plan*	_____	_____
Employer-Sponsored Plans		
• 401(k) or 403(b) plan	_____	_____
• Pension plan	_____	_____
• Profit sharing/thrift plan	_____	_____
• SEP	_____	_____
Individual Savings Plans		
• IRA	_____	_____
• Keogh plan	_____	_____
• RRSP*	_____	_____
• Cash value of life insurance	_____	_____
• Income from annuities	_____	_____
• Interest income	_____	_____
• Dividend income	_____	_____
Earnings from part-time job	_____	_____
Capital gains from home sale	_____	_____
Rental income	_____	_____
Other	_____	_____
	Total Monthly Estimated Income	**Total Annual Estimated Income**
	$_____	$_____

*Available in Canada only

11

Using Your Home Equity

There are three different ways in which you can tap the equity in your home. If your home has appreciated and you are planning to move, selling it has certain tax advantages, providing that you can find suitable housing at a lower cost. In the U.S., if you are 55 or older, you are entitled to a once-in-a-lifetime tax break. (As long as neither you nor your spouse has taken this deduction because of a divorce or widowhood.) Up to $125,000 of capital gains from the sale of your principal residence is nontaxable, providing you have lived there three out of the last five years. (In Canada, capital gains on a principal residence are not subject to income tax.)

Second, you can borrow against the equity in your home, which is the difference between the balance of your mortgage and the current market value of your house. With a traditional second mortgage, the borrower receives a lump sum and repays the loan in monthly installments. More popular are today's home equity loans, which are available with a revolving line of credit. Lines of credit can be accessed by writing checks or, in some cases, with a credit card.

Either way, you only pay interest on the amount you use. Interest rates vary, of course, with the lender and the amount of the loan. An additional benefit of the home equity loan is that up to $100,000 in interest is currently tax deductible in the U.S.

Home equity loans are generally used for large expenditures such as home improvements or remodeling. Because your home is used as collateral, think carefully before taking out this type of loan and be sure you can afford the payments. Monthly loan payments and closing costs could be a problem for retired persons living on fixed incomes.

Third, you can take out a reverse mortgage. Currently these are available only in certain pockets of the country, but this is expected to change. Here's how they work. A homeowner with a mortgage-free home borrows against the equity in the house. The owner then receives monthly or periodic payments for a set length of time or, in some cases, for as long as he or she resides in the home. The homeowner, who continues to hold the title, still pays for maintenance, taxes and utility costs. Repayment of the loan with interest may be required on a specific date, but usually occurs when the owner moves, dies, or sells the house. Failure to repay the loan could mean foreclosure.

Working After 65

With longer, healthier lives you can expect to spend a great many years in retirement. A new career, part-time job or the expansion of a hobby could be just the thing to provide you with additional income as well as a sense of satisfaction. Just remember, your earnings may affect your Social Security benefits and your tax situation. (See the section on Social Security on page 22.)

Some people must work in retirement and others choose to work because they enjoy it. If the choice is yours, weigh the pros and cons of your decision. Volunteer efforts offer flexibility, personal satisfaction and fulfillment and won't affect your benefits.

Your Retirement Strategy

As you plan for your retirement years, you'll need to make numerous decisions along the way. To do so wisely, you must learn as much as you can about the investment world and then review your investment options. How much time are you willing to spend reading and researching? What are your current objectives—growth, income or tax savings? How much risk can you afford and handle? You will need to make some choices before your plan can be implemented.

Sources of Information

The public library is often a good place to start, especially for first-time investors. There are numerous books, magazines and newspapers which can introduce you to the world of savings and investments. You don't have to read every publication from cover to cover of course. But you might skim through them and select articles which are of particular interest. Consider subscribing to those periodicals which you find most informative. Many larger libraries have special business sections with a concentration of reference books on various financial topics. Check with the librarian.

There are also other sources of information. You might investigate the various adult education programs offered throughout your community. These can be an excellent way to get your feet wet in the investment world. But check out the instructor's credentials beforehand to be sure she or he goes beyond just selling products.

Advisory newsletters, which describe the investment climate, economic outlook and industry trends, can be helpful as well. These are available in the library or by subscription. The quality of information does vary, however, along with the price, so you may want to sample a few newsletters before subscribing. Many advisory services offer a trial subscription for this purpose.

Joining an investment club is another possibility. They offer an opportunity to learn about investing without expending large amounts of cash. Clubs usually consist of 10 to 20 people, who pool their investment knowledge as well as their resources to make investment decisions. Generally, monthly meetings are held to discuss research information and stock activity. Profits, if any, are distributed in proportion to your contributions. Since the performance of a particular club can vary, you will want to investigate its track record thoroughly before putting up any cash.

Developing an Investment Plan

Making financial decisions without a plan is like trying to drive a car without a steering wheel. You have absolutely no control over where you are going. To ensure that your retirement needs are met, your strategy must be carefully planned. It should reflect your financial goals and personal circumstances. Factors to consider include: your age, years to retirement, health, current income, anticipated income, emergency provisions, investment goals, children's education, your attitude toward investment risk and any other obligations.

Know Your Objectives

Some investments provide income, others growth, and still others tax savings. Knowing which of these is most important to you will help you to make the right investment choices. For example, if you are young and do not require additional income to meet everyday expenses, *long-term growth* would probably be your primary objective. You would want to choose investments which offered consistent growth over a long period of time. If you can afford greater financial and emotional risks, *aggressive growth* might be your aim. But be prepared to spend a lot more time monitoring your portfolio.

Some investors may be looking for *tax savings.* Investments geared to retirement which allow them to shelter income and defer taxes would be ideal. Those nearing retirement, on the other hand, might begin switching some of their assets into investments which produce *income.*

No one objective may be right for you. In fact, you may want to choose a combination such as growth and income. Whatever you decide, review them periodically. Are you headed in the right direction?

Investment Characteristics

Investments, like people, have different characteristics, which make some more appealing than others. In terms of investing, you will need to decide which of the following characteristics best fits your investment objectives and your temperament.

Safety of principal relates to the preservation of your original investment. For example, U.S. Treasury bills are considered very safe, low-risk investments because they are backed by the government. Stocks, on the other hand, fluctuate with the economy, which means the risk is greater. The closer you are to retirement, the more you need to consider safety. Just remember that safer investments *generally* provide lower returns and may not protect you against the loss of purchasing power due to inflation.

Return is the amount of money you earn on your investment. It may be in the form of dividends, interest or profits. Return and risk usually go hand in hand. Investments with the highest returns also present higher risks.

Liquidity is the ease with which you can cash in your investment without losing your principal. For example, deposits in money market funds can be obtained by writing a check, which makes them very liquid. In comparison, real estate tends to be very illiquid.

Tax-saving investments allow you to defer taxable income until a later date. IRAs, Keogh plans, 401(k) and 403(b) plans in the U.S. and RRSPs in Canada are examples of retirement plans which provide this benefit.

Convenience relates to the time and effort it takes to make an initial investment and subsequent transactions, handle record keeping, etc. If you are short on time and/or energy, convenience may be a consideration when making investment choices.

Handling Risks

Almost every investment involves some kind of risk. You must find a balance between your investment objectives and your tolerance for risk, both financially and emotionally. For example, young people just starting their careers with few financial obligations and an opportunity to increase their incomes are in a better position to withstand higher risks than individuals close to their retirement years.

Another factor is your temperament. Some people by nature are risk takers, while others are much more conservative with their cash. If you tend to be the former, set a limit as to what percentage of your portfolio you can afford to put in high-risk ventures.

The key to managing risk is diversifying your assets by choosing investment vehicles which perform differently in various economic climates. Diversification also means selecting investments with different objectives: growth versus income. Investing in several companies and in a variety of industries will help to diminish your risks even more.

As any investor knows, the secret to making a profit when investing in the stockmarket or in mutual funds is to buy low and sell high. Determining exactly when to buy or sell, however, can be tricky, not to mention costly. What is the solution? *Dollar cost averaging* is an easy way to solve the problem. By investing a set amount on a regular basis in the same investment vehicle, you will, over time, buy more shares when the price is low and fewer shares when the price is high.

Choosing an Investment Mix

Some retirement plans such as IRAs and Keogh plans, which are discussed on page 20, allow you to put your money into an array of investments until retirement. To insure a diversified mix, consider investments which offer different levels of risk.* Some of these are described here.

Low-risk Investments

There are several low-risk opportunities, from certificates of deposit to money market funds, when safety of principal is of primary importance.

Certificates of deposit (CDs) are time deposits which mature at specific times, typically six months to a year. CDs may be purchased in denominations of $500, $1,000, or $5,000 and above. As a general rule, the longer the maturity and the larger the denomination, the higher the return. Most CDs are federally insured up to $100,000. Find out for sure before you make a purchase.

On the downside, if interest rates rise, you will be locked in at a lower rate. There are also penalties for early withdrawals and the interest you earn is taxable.

In Canada, guaranteed investment certificates can be purchased through banks, trusts and mortgage companies in amounts from $1,000 to $5,000. They pay a guaranteed rate of interest for a specific length of time—typically five years.

U.S. savings bonds are fully insured. The interest paid on savings bonds is equal to 85 percent of the average market rate on a five-year Treasury note, with a guaranteed 6 percent return if the bond is held for at least five years. The interest is exempt from state and local taxes. Savings bonds do not provide current income, however, and typically pay a lower rate than other bonds.

U.S. Treasury bills are short-term instruments which are insured by the federal government. The interest earned on T-bills is exempt from state and local taxes, which is an added benefit to investors looking for a safe haven for their money. T-bills are easily sold; you may lose some interest if they are sold before maturity, however. Treasury bonds and Treasury notes are also available.

Money market deposit accounts (MMDAs) are savings accounts, but pay a market rate of interest. MMDAs are insured and available through banks, savings and loans, and some credit unions. For those who want immediate access to their savings and can afford the minimums, this is one alternative.

Bonds are issued through the government, federal agencies, municipalities and corporations. Because bonds *usually* do well in a down market, they can be a good way of diversifying your assets. Bonds also provide a fixed, steady income and in some cases, certain tax advantages. However, if you cash your bond in before it matures, you could lose interest.

Money market mutual funds are a type of mutual fund which invests in CDs, government securities and commercial paper. Although they are not insured, they are considered a safe investment, because the principal does not fluctuate. Interest rates are competitive, but do go up and down with the market. This type of investment works well as a savings vehicle or as an interim investment between financial transactions.

*For more information on savings and investments, see the MMI booklet, YOUR SAVINGS AND INVESTMENT DOLLAR, listed on the inside back cover.

Medium-Risk Investments

If your primary objective is capital accumulation, medium-risk investments can provide greater growth opportunities than low-risk options without the risk of more speculative ventures. Your investment choices include mutual funds, stocks, and real estate, all of which are described here.

Mutual funds pool money from thousands of shareholders and invest it with specific objectives. Although mutual funds are considered a medium-risk investment, this would depend of course on how and where the money is invested. Some funds are more aggressive than others.

There are two types of funds: no-load and load funds. The major difference is that load funds charge from 3 to 8.5 percent in commissions and no-loads do not. Some no-loads may charge service fees, however. Historically, one type does as well as the other.

Mutual funds provide many advantages: diversification of your assets, reinvestment of dividends and professional management. Some funds are part of a family of funds, which allows you to switch from one to another with a phone call.

Mutual funds are not insured, although they have good safety records. There are other disadvantages as well. The price per share fluctuates with the market, which means you can lose part of your principal. How well the fund has performed in the past is also no guarantee as to how it will do in the future.

Stocks may be traded through stock exchanges such as the New York Stock Exchange (NYSE) and Montreal Stock Exchange (MSE) or over-the-counter (OTC). Stocks can offer a good return on your investment. But be aware that prices are subject to fluctuations in the economy, political changes, corporate mergers and the like, which is why stocks may be better left to the more seasoned investor.

INVESTMENT PYRAMID

HIGH RISK
Commodities, Collectibles, Precious Metals
MEDIUM RISK
Mutual Funds, Stocks, Real Estate Investment Trusts
LOW RISK
U.S. Savings Bonds, Certificates of Deposit, Bonds, U.S. Treasury Bills, Money Market Mutual Funds, Money Market Deposit Accounts

Stocks range from the conservative blue-chips to the very speculative penny stocks. Information pertaining to various stocks is readily available from stockbrokers, newspapers, business magazines and the companies themselves. For more information on a specific company, request an annual report and a prospectus. The former outlines the company's assets, liabilities and earnings; the latter describes the investments offered for sale to the public.

Real estate investment trusts (REITs) allow shareholders to own real estate without the expense of ownership or the hassles of a landlord. There are three kinds of REITs: Equity REITs, which buy office buildings and other income-producing properties; mortgage trusts, which provide short-term construction loans for new developments; and hybrid REITs, which are a combination of the first two. REITs are traded on the stockmarket and may be purchased with low minimum investments. You can also invest in REITs through a mutual fund.

Due to the risks involved, REITs are not recommended for beginning investors. Prices swing up and down with the real estate market and the stockmarket. And they do not offer the tax advantages of other investment vehicles.

High-Risk Investments

The investment vehicles in this category are not recommended for retirement funds, because of the risks involved. Tremendous gains can be made in these speculative ventures, but huge losses are just as likely. High-risk investments include commodities, precious metals and collectibles. These should be left to the sophisticated investor, who has the time and knowledge required to keep close tabs on the market.

Using Financial Planners

Financial experts come in all shapes and sizes and with different levels of expertise. If you are a novice investor or lack the time and/or interest to manage your own portfolio, a professional financial advisor may be best for you. But be aware that no one cares about your money the way you do. To protect your financial interests, you must keep up to date and well-informed.

Ideally, financial planners will give you investment advice in addition to examining your total financial picture from taxes to retirement. They should also help you identify your goals and design a master plan for achieving them. The planner you select ought to review your current income and expenses, your needs, wants and goals, tax forms, insurance policies and investments. So be prepared to turn over lots of information. In return, you should receive a detailed financial plan for your future and ongoing guidance.

Because there is little or no industry-wide licensing, practically anyone can be called a financial planner. While many are well-qualified, others are not. Before committing yourself or your money, interview several planners. Some questions you might ask include:

- *How long have you been a financial planner?* Experience counts! Your advisor should work full time and have a permanent office.
- *What are your credentials?* A financial planner can be an attorney, accountant, investment broker or full-time planner certified by one of several professional organizations. Designations such as CFP, ChFC and CLU indicate the planner has completed a rigorous course of study.
- *What is your track record with other clients?* The planner should provide you with a list of references.
- *What is your investment approach?* Look for a planner whose investment philosophy matches your own.
- *What kind of return can be expected within a five-year period?*
- *What products do you sell?* Choose a planner who is licensed to handle a variety of products for greater flexibility in your plan.
- *Will periodic reviews and updates be provided?* Can you get information over the phone?
- *What is the fee and how is it based?* Shop around. Some planners charge a flat rate plus commission; others charge just commission on the products they sell or calculate their fee on an hourly basis.

Bankers, attorneys, stockbrokers and insurance agents can also provide financial advice. Select one who specializes in tax or estate planning. No matter which financial advisors you choose, make sure they are people you feel comfortable with. After all, you probably will be making important investment decisions based on their recommendations.

Reviewing Your Portfolio

While some investments require more attention than others, none can be totally forgotten. An annual review of your portfolio is very important. It gives you the opportunity to reevaluate your investment objectives. Have there been changes in your personal situation which suggest a new investment strategy is needed? Has the return on your investments equaled your expectations? How has the economy changed? Do you need greater diversity? Has your net worth steadily increased? If not, some changes are in order.

Employer Retirement Programs

Employer retirement plans are extremely important to the future financial security of most of us, whether we work in the private or public sector. *Private-sector* plans include those of businesses and industrial firms, large and small, as well as those of tax-exempt organizations like churches and charitable, scientific, and educational groups.

Public-sector plans in the U.S. include those of the Civil Service Retirement System (CSRS) and the Federal Employee Retirement Savings (FERS), the Military Retirement System (MRS), and all the state and local government programs.

The private programs will receive the major emphasis here because they're much more complex than the public programs. Readers planning to work for an employer in the private sector (or already doing so), particularly a large company, generally have more to learn, more personal responsibilities to assume, more choices to make, and more at stake when it comes to employer savings and pension plans!

U.S. Private-Sector Plans

Although varying widely in design and coverage, private-sector plans provide a vital portion of the retirement income of many Americans. Most companies offer them.

ERISA

In 1974 the U.S. **Employee Retirement Income Security Act** (ERISA) set minimum standards for pension plans in private industry. ERISA does not require an employer to offer a pension but does regulate existing and newly established plans. Its purpose is to ensure that workers and retirees receive the pension benefits they've earned.

Vesting is an important concept. When you are vested, you have a legal right to the money your employer has contributed into the company pension fund in your name. (Even if you resigned or were dismissed from the company long before.) Of course the money isn't available until you reach the normal retirement age, usually 65.

In some employer plans, you are fully vested after five years of service. Other employers have *graded* vesting, under which you are at least 20 percent vested after three years of service and earn 20 percent for each of the next four, with full vesting coming at the end of seven.

Should you leave the company after becoming 100 percent vested, but before you've reached the normal retirement age, your employer is required to keep your portion of money in the trust for you or buy a deferred annuity in your name that you could activate when ready to retire. If the plan allows and the amount is less than $3,500, an employee may take the cash.

It should be noted that employers may integrate pension benefits with Social Security, thereby reducing the amount paid out.

Types of Plans

There are two basic types of employer retirement plans—*defined benefit* and *defined contribution.*

Under a *defined benefit plan,* the company promises a specific lifetime retirement income to you—i.e., a pension. It then contributes sufficient money into a pension fund to ensure that you will be paid that sum. The amount of the pension is determined according to a formula.

Most companies base a pension on your average salary over your last five years, but the most generous plans base it on your salary during your highest paid three to five years. In general, the longer you work for a firm, the higher your pension is likely to be.

Some employers fund the program entirely; others require or permit employees to contribute too. The company assumes all the investment risk in either case. It must make up the difference if the return on the investment falls short of the amount promised you.

The Pension Benefit Guaranty Corporation, a federal agency that insures defined benefit pensions, will protect yours to some extent if the fund is terminated and the plan is taken over by the agency. The maximum guaranty may well be less than the pension you had expected from your employer, however.

A majority of large employers offer one or more *defined contribution plans*—usually as a supplement to a traditional pension plan. Your employer establishes an account in your name and promises to put money into it according to a set allocation formula. Unlike defined benefit plans, a defined contribution or savings plan does not promise a specific benefit at retirement.

Defined contribution plans—which include 401(k) salary-reduction plans, after-tax savings plans, profit-sharing plans, employee stock ownership plans, and simplified employee pension plans—often allow employees to contribute. Frequently the company matches some percentage of your contribution. The ultimate benefit depends not only upon the amounts paid into your account but also upon the returns on the investment at the time of retirement. The money can be used to purchase an annuity when you retire.

Defined contribution plans usually permit earlier vesting than do defined benefit plans. They also permit you to roll your retirement money into another arrangement, such as an IRA, when you leave your job. Defined contribution plans offer about as painless and profitable a way as you're going to find to ensure your future financial security.

You should keep an eye on any plans in which holdings rise and fall with the stockmarket, however. While periodic statements will report how you stand at that time, they cannot predict future returns. Furthermore, defined contribution plans are not insured by the Pension Benefit Guaranty Corporation.

401(k) Plans

These plans, also referred to as salary-reduction plans, are tax shelters, and the most popular of the defined contribution plans. Many businesses now offer them to all employees. Every dollar you put into a 401(k) reduces your federal taxable income by a dollar in that year, but there are limits on the amount you may contribute annually. (Social Security taxes are levied on your full income, however.) Furthermore, companies may contribute from 25 cents to a dollar for every dollar the employee puts into the plan. Both accumulate tax free—along with any earnings—until withdrawn at retirement. The tax deferral and employer matching can produce some handsome results.

The contributions go into one or more of several investments selected by the plan trustees. You decide how to divide the money up, making you, in effect, your own pension manager. You hold the investment risk (any mistakes you make come right out of your future retirement funds), but you also are the beneficiary of any gains. Your "management" of the 401(k) plan can thus have a considerable impact on your financial status in retirement.

Typically, your investment choices will range from company stock or a diversified stock fund to a government securities fund or guaranteed fixed-interest contract with an insurance company. Since more and more investment categories are being offered, it makes sense to choose those that best blend with your outside investments. Periodically you can change your selections. You can borrow against your account under certain specified conditions and, in the event of a financial hardship, withdraw money from it. Preretirement withdrawals before 59½ are subject to tax and a 10 percent penalty, however, with certain exceptions.

403(b) plans are similar to 401(k)s but are offered to employees of nonprofit organizations. Their contributions, along with those of the employer, accumulate tax free until withdrawn at retirement. The funds may be administered directly by the employer or invested in mutual funds or annuities which are chosen by you.

Other Private-Sector Plans

After-Tax Savings Plans. This thrift plan offers investment choices similar to those of 401(k) plans. Typically, you'll be permitted to contribute between two and six percent of *after-tax* pay to the program. The company matches that up to 100 percent in some cases, but usually 25-50 percent. Some companies require employees to work a specified period—usually three to five years—before they become eligible for the maximum matching contribution. Contributions are placed in a trust fund which the trustees invest while keeping track of your shares and everyone else's.

Many after-tax savings plans permit withdrawals and loans. Most employers place no restrictions on withdrawing voluntary contributions after a reasonable period of time.

Profit-Sharing Plans. Under a profit-sharing plan the employer contributes

money to an investment fund for each worker and the money becomes the property of the employee when vested. Some companies also allow employees to contribute—up to 5 to 10 percent of wages or salary. Most plans defer payment until you leave. Taxes on earnings are also deferred and profits are held in trust. The investing usually is done by banks and professional investment counselors under the supervision of the plan's trustees.

You can't depend on a fixed minimum return from a profit-sharing plan, however, because the employer's contributions may be linked to company profits, which can fluctuate. The investment skills of the plan manager can vary as well.

Although profit-sharing programs lack the guarantees of regular pension plans, they make it possible for plan participants who work for successful companies to accumulate sizable retirement funds. Should you be offered both a pension plan and profit sharing, you could in effect end up with two pension plans. If the latter is a substitute for a pension plan, however, not knowing its value until shortly before retirement could be a real handicap.

Employee Stock Ownership Plans (ESOPs). These are classified as pension plans under ERISA. The employer periodically offers employees free shares of company stock in amounts related to their compensation. Since few ESOPs allow employees to borrow against their accounts or take out cash until they quit or retire, sizable nest eggs can develop if you work for a company a long time. If a company offers an ESOP with no pension plan to back it up, however, think carefully about it. You could collect little if stock prices plummet just before you retire.

Stock Purchase Plans. Many large corporations offer employees an opportunity to purchase shares of the company's stock under attractive terms. Typically, you can earmark as much as 3 percent to 10 percent of your after-tax salary each year to make purchases, buying shares at discounts and without brokerage fees. Your contribution is automatically deducted from each regular paycheck and placed in a special account that usually pays market rates of interest. At year's end, all the money in it is used to purchase shares of company stock.

Simplified Employer Pension Plans (SEPs). SEPs make it possible for small-business owners to easily set up pension plans for themselves and their employees, without having to contend with the paperwork of Keoghs and traditional pension plans. (They lack some of the advantages of Keoghs,

however.) SEPs can also be set up by sole proprietors and self-employed workers like freelancers and consultants, so they too can enjoy current tax deductions and future pension benefits.

A SEP is similar to an IRA, but with much higher contribution limits. Employees are allowed to make their own contributions, as well as to decide where, among several investments, to invest the money in their accounts.

The amounts contributed to a SEP by employers vary, because these depend upon profitability and other factors. (The maximum permitted by law is also subject to change.) Contributions are tax deductible and the money is allowed to grow and compound tax free until withdrawn. Employees take their SEP holdings with them if they quit, either rolling the money over into a new employer's SEP, if any, or into an IRA. They could withdraw it instead, but must declare it as income on their tax returns and pay a 10 percent penalty if they do.

Distribution of Benefits

Well before your retirement day, think about how you want your benefits to be distributed—in monthly installments or in a lump sum. (Assuming you have a choice.) Although most pension plans pay benefits in the form of a monthly annuity for the rest of your life, a few permit you to take a lump-sum payment. Defined contribution plans such as a 401(k) and profit sharing pay benefits in a lump sum, but you can always use this to buy an annuity if you wish.

An annuity offers peace of mind. If you select the kind that will arrive regularly for the rest of your life, you don't have to worry about running out of money. You do have to contend with inflation, however. A 5 percent annual rate could cut your purchasing power in half in 14 years. Also take into consideration the age at which you want to retire. The earlier this occurs, the smaller your monthly benefit will be. The funds in your account must stretch farther. (See the section on annuities on page 21.)

If you elect to take the lump sum, on the other hand, you not only could put some of it into growth investments and preserve its value, you might have money left for your heirs. Ask yourself, however—can I invest the pension money wisely enough to get a return that's at least equal to the pension? Can I afford the investment risk?

The tax angle is very important because the IRS will demand a cut—the one you've been postponing all those years. You may have several options, involving rollovers into IRAs and utilizing such tax devices as five-year and ten-year averaging, depending upon eligibility. Because you'll probably be dealing with the largest sum of money you've ever had and the tax implications are intricate, it's strongly recommended that you seek the advice of a tax advisor and/or a financial planner well before you must make these kinds of decisions.

The U.S. 1984 Pension Law eliminated the possibility of a spouse losing pension rights. The company purchases a joint life annuity good for the lifetimes of both parties, and retirees automatically get this option unless both parties sign away their rights to it. There usually are several other options available, but typically a joint pension will pay about 10 percent less than a single pension, and the rate drops to 50 percent for a surviving spouse.

The Pension Law of 1984 also offers some protection to women whose employed husbands die before 65. Prior to its passage, such widows often had no claim to a pension.

Sizing Up a Retirement Offer

There have been more early retirement offers in recent years than ever before. If one is presented to you someday, and you actually have the option of turning it down (some workers do not), engage a professional financial advisor or accountant to help you assess the pluses and minuses of the package. What you'll need is a nest egg large enough to support your lifestyle over your remaining years (supplemented by Social Security and, hopefully, your own savings), and one that will hold steady despite inflation.

Incentive packages geared to employees in their 40s or younger often pay a one-time cash bonus pegged to their years of service. Employees in their 50s are more likely to be offered beefed-up pensions. The best of these, which add four or five years to the employee's age and tenure, might add up to the same benefits he or she would get if retiring on the original target date.

That kind of pension would be well worth considering, but if it comes in a lump sum, you'll have to figure out the tax implications. And what about fringe benefits? Would your health insurance continue at your employer's expense or your own until you're 65? If the latter, it could cost you a lot of money. Will your life insurance be reduced? Your dental insurance?

Although this isn't generally known, sometimes it's possible to negotiate a better deal. On the other hand, there's always the possibility of your being laid off after you've turned down the package.

Canadian Private Plans

The principle types of employer pension plans in Canada are *defined benefit* plans and *defined contribution* (money purchase plans).

A defined benefit plan guarantees a certain level of pension. The employer and employee often share the costs of the plan, with the latter's share, which is tax deductible, being withheld from salary or wages. The funds are usually invested with a life insurance company, a trust company or other trustee, the employer choosing the method of administering them. Under a defined benefit plan, most benefits are based on one of several formulas which use an employee's earnings and length of service as determining factors. Usually the employee can select the kind of payout he or she wants.

Contributions of both employer and employee to a defined contribution or money purchase plan accumulate in a fund invested by a money manager. The amount available by retirement depends both on the contributions and on the manager's investment skills. The money is used to buy an annuity that provides pension income, which is taxable. Because this type of plan is generally offered by smaller firms, only a small percentage of Canadian workers have them.

Public-Sector Retirement Plans

There are some basic differences between public-sector retirement plans—those of federal employees (CSRS and FERS), state and local governments and the military—and private-sector plans. Most government plans are contributory and *un*funded—i.e., the pension monies for retirees come from the contributions of current employees (except in the case of military personnel) and taxpayers, rather than from funds placed in trust for that purpose.

Federal employees hired before 1984 contribute 7 percent of their paychecks to the Civil Service Retirement System (CSRS) and the government matches the amounts. They are not eligible for Social Security benefits unless they retire early enough to work for a private employer and earn the minimum credits required to qualify for them. All civil service employees who started working after January 1, 1984, however, are under the Federal Employee Retirement System (FERS), which is covered by Social Security. They pay Social Security taxes and a percentage of their compensation to FERS.

In the civil service you need work only five years to retire at 62, 20 years to retire at 60, and 30 years to retire at 55. If you're a member of FERS, you can participate in a thrift investment plan. An employee can contribute up to 10 percent of his or her salary to the plan, with the government matching the contributions. Federal workers who are still under CSRS can invest up to 5 percent, but the government doesn't match these contributions. All civil service pensioners, however (along with the military), receive automatic cost-of-living increases.

U.S. *military* personnel can retire at half pay after 20 years of active, uniformed service. After 30 years' service, the monthly pension for an enlisted person starts at 59 percent of the final paycheck; for an officer it's 62 percent. Service personnel contribute nothing to the plans.

There are thousands of *state and local government pension plans,* covering teachers, agency employees, officials, police and firemen, etc. Many employees in these plans retire below 65, some before 50. After 30 years of service, pensions average 50 percent of final salary. Because each state and local government unit decides for itself whether to join the Social Security System, only one-third integrate benefits with Social Security. About 70 percent of state and local employees pay Social Security taxes.

Individual Savings Plans

Never before have individuals had such choice when it comes to personal retirement savings. What are the options? There are several kinds of individual plans: Individual Retirement Accounts (IRAs), Keogh plans, annuities and, in Canada, Registered Retirement Savings Plans (RRSPs). The big plus to individual savings plans is that future retirees can earn tax-deferred interest on retirement funds and, in some cases, even the contributions are tax deferred. The following section describes each plan.

Individual Retirement Accounts

Individual Retirement Accounts (IRAs) are tax-deferred savings plans which allow individuals to contribute up to $2,000 annually ($2,250 with a non-working spouse) into a government-approved retirement account. The interest you earn is tax deferred until the money is withdrawn.

There may be other tax advantages as well. Individuals who are *not* enrolled in a qualified retirement plan may deduct the total amount of their IRA contributions from their income taxes. For those who *are* enrolled in other plans, all or part of their IRA contribution may be deductible, depending on their level of income. For example, couples with an adjusted gross income of less than $40,000 ($25,000 for singles) can deduct IRA contributions in full. Couples with incomes of $40,000 to $50,000 ($25,000 to $35,000 for singles) can deduct a portion of their contribution. No deductions are allowed above these incomes. However, individuals can still make nondeductible contributions and earn tax-deferred interest.

If you make a withdrawal from your IRA prior to age 59½, the distribution is subject to an early withdrawal penalty of 10 percent, except in the case of disability. Early withdrawals are also taxable as income. You *must* begin withdrawals by age 70½.

With a few exceptions such as precious metals and collectibles, any type of investment vehicle may be used for an IRA—stocks, bonds, CDs, mutual funds, etc. You may open as many individual retirement accounts as you like, providing your total contributions do not exceed $2,000 annually.

Ideally, IRA contributions should be made early in the year to gain the maximum benefit from compounding, but you have until April 15 of the following year to establish an account and make a contribution. You can also transfer funds from one IRA account to another.

Should you open an IRA? If you are already enrolled in a qualified pension plan and your IRA contributions are not deductible because you exceed the income limits, then some of the tax advantage is gone. Record keeping is also more complicated, since all records for deductible and nondeductible IRA contributions must be kept separate until the money is paid out. For some individuals this could be 20 to 30 years! As a result, some investors may be better off investing in a 401(k), if available. If not, the accrual of tax-deferred interest may still be worth the additional record keeping.

Keogh Plans

Keogh plans are retirement plans for self-employed workers. The amount of your contribution is based on earnings. For example, with a *defined contribution plan* your contributions may not exceed $30,000 or 25 percent of your

income, whichever is smaller. A *defined benefit plan,* on the other hand, allows you to put the lesser of $90,000 or 100 percent of your compensation into a Keogh plan. Should you exceed these annual limits, you will be charged a 10 percent excise tax on the excess contribution.

The money from your plan can be withdrawn at age 59½. Early withdrawals come with a 10 percent tax penalty. Starting a Keogh plan for yourself also means setting up plans for your employees. Like the IRA, any investment vehicles with a few exceptions such as precious metals and collectibles may be used. And as long as you do not exceed the deduction and contribution limits, you can have as many plans as you like. But remember—the more you have, the harder the record keeping.

Keogh plans must be established by the end of the year to qualify for a deduction. The actual contribution, however, does not have to be made until April 15 of the following year.

Annuities

Annuities are a type of savings plan designed to provide you with a steady income during your retirement years. Unlike life insurance, which pays off after your death, annuities offer you protection against living too long—beyond your savings.

When you purchase an annuity, you pay a predetermined amount to a company, which invests it. Then, at a specified age, you get your money back with interest in monthly installments. Annuities are sold through stockbrokers and insurance agents and come with a variety of options.

Immediate annuities are purchased at retirement, often with lump-sum payouts from employer-sponsored pension plans. The premium must be paid in full and income distributions begin immediately. *Deferred annuities,* on the other hand, are usually purchased in installments far in advance of your retirement. The interest you earn compounds tax free until payout. If you withdraw the money before you are 59½, be prepared to pay a 10 percent penalty. (The insurance company may impose surrender charges as well.) You can, however, transfer the funds into a similar annuity with a different company without penalty.

With a *fixed-dollar annuity* you are guaranteed a minimum rate of return on your investments. If the company earns more, you earn more. *Variable annuities* are less conservative and come with no guarantees. However, the possibility of higher returns is greater than that for a fixed-dollar annuity. Of course, lower returns are also possible.

When your annuity reaches maturity, payouts can be made in a lump sum or in monthly installments for a specified number of years. Usually lump-sum distributions are used to buy immediate annuities with better terms. Should you decide on installments, you have three options. *Straight life or individual annuities* provide income throughout your lifetime, but end with your death. This type of annuity is sometimes used by single people with no dependents. With a *joint and survivor annuity,* payments are made to you and your beneficiary (usually a spouse) as long as you both shall live. *Guaranteed minimum annuities* offer another choice. These pay a guaranteed minimum to you or a beneficiary. Should you die prior to your final payout, you are at least guaranteed a minimum dollar amount.

For people with longevity in their genes, who are worried about their level of savings, annuities could be a good solution. Their major attraction is income and some tax benefits. In addition, the investing is done for you, relieving you of management responsibilities.

Annuities have some major drawbacks, however. First of all, you may die before getting your just dues and, because the payments are fixed, inflation may eat away part of your income. Furthermore, returns have not been as high as other investments. And finally, annuities are only as safe as the company issuing them. So investigate before you invest.

Registered Retirement Savings Plans

Registered Retirement Savings Plans (RRSPs) are arrangements registered with Revenue Canada Taxation in which a portion of your "earned income" is invested by the plan issuer to provide retirement income when the plan matures. Contributions paid into the plan and the income earned are generally exempt from tax until withdrawn.

All Canadian taxpayers with earned income, including those who are self-employed, can invest in RRSPs at any age, providing they do so by the end of the year in which they reach age 71. (Earned income, which has special meaning for RRSP purposes, more commonly refers to net salary or wages and not investment income.)

The amount you can contribute depends on your earned income and whether or not you belong to a pension or deferred profit-sharing plan. Changes are currently proposed in conjunction with pension reform, which will affect both the earned income and contribution limits.

Your RRSP must mature no later than December 31 in the year you reach 71. At this time you will need to make some choices. You may purchase different kinds of lifetime annuities, fixed-term annuities or a Registered Retirement Income Fund (RRIF), which pays you income until age 90. Or you can take all or a portion in cash, which would be fully taxable.

Before making any final decisions, it is best to consult a financial advisor to be certain that you have explored all available options and have selected those which are best suited to you and your spouse.

Government Retirement Plans

The federal *Social Security* program in the U.S. and the federal income-security programs in Canada were created to, among other things, provide *supplementary* income for retirees.

Each was designed to provide a financial foundation only, not to be their sole source of retirement income. Each of these programs, therefore, should be supplemented with a private pension and with savings, other insurance and investments.

U.S. Social Security

Social Security now covers most of the U.S. population. It actually is a package of protections, providing workers and their dependents with retirement income, survivors' benefits and disability insurance. In addition, part of the Social Security taxes withheld from paychecks are designated for *Medicare,* an adjunct of Social Security which provides both hospital insurance and voluntary medical insurance for those 65 and over. Social Security benefits have increased along with Social Security (FICA) taxes over the years.

You qualify for benefits by earning credits for a required number of calendar quarters—currently 40 quarters for those born after 1929, or a total of 10 years—in any work covered by Social Security. You must of course make the compulsory contributions during that time. Once you've met the requirements, you'll never lose your eligibility, even if you never work again.

The Social Security Administration bases benefits on what it refers to as the *Primary Insurance Amount* (PIA). The PIA is calculated on a formula applied to your lifetime covered earnings. The higher your income and the more taxes you pay, the higher your PIA, but the actual amount you'll get monthly also depends on your age when the payments start.

You are eligible for full retirement benefits at 65. You can, however, along with your spouse, begin receiving reduced benefits at 62. The eligibility age for full retirement will gradually increase to age 66 by the year 2005 and to age 67 in 2022. Reduced benefits will still be payable at 62, but the reduction will be greater than it is now.

If you have a nonworking spouse, at 65 he or she will receive benefits equal to 50 percent of your PIA. (At age 62, 37.5 percent.) If both of you work in covered occupations, your spouse will be eligible for a benefit based either upon his or her own earnings or 50 percent of yours, whichever is greater.

A major difference between private retirement plans and Social Security is that today's retirees collect a lot more from the latter than they contributed to it. (As have most Social Security recipients before them.) A 65-year-old retiree who had made the maximum contributions would get them all back in three years. If the retiree's spouse receives spouse's benefits, the payback will occur in just 24 months.

If you have a low income, you'll collect about 62 percent of your preretirement earnings in Social Security benefits; if your income is average, about 41 percent of them. The higher an income, in fact, the less of it Social Security will replace.

Your Social Security benefits can also be affected by earnings from a postretirement job. Effective January 1, 1990, for every $3 you earn over the maximum, your benefits will be reduced by $1 until you reach age 70. (Capital gains are not considered earned income.) In addition, up to half of your Social Security benefits may be subject to federal income tax, if your income exceeds certain limits.

Keep Track of Your Social Security Earnings

Although the Social Security Administration is supposed to credit your account with the taxes paid by you and your employer, mistakes sometimes occur. Since your future benefits depend on the accuracy of the PIA, it's to your advantage to periodically compare the official records with your own.

You can obtain an official statement of earnings plus your approximate retirement benefits and other valuable information by calling the Social Security Administration at 1-800-937-2000 and requesting Form SSA-7004—a questionnaire. Fill it out and return to them. A few weeks later you'll receive a *Personal Earnings and Benefit Estimate Statement* that includes:

- The amount of your monthly Social Security pension, in today's dollars, at the retirement age you specified. (You'll find that, if you wait until 65, your benefits will be higher than if you retired at 62. They're higher yet at age 70!)
- Your survivors' monthly benefits if you die during the current calendar year.
- Your disability benefits if you're unable to work for a year or more or are terminally ill.
- A year-by-year statement of the amount of your earnings that were subject to Social Security taxes and how much you paid.
- An explanation of what it takes to become eligible for benefits.

Compare the official record of your earnings with your own. Your figures could come from the W-2 forms provided by your employer that report the Social Security taxes you've paid each year. If you find a discrepancy between your calculations and the Social Security Administration's, notify them immediately. Some errors on your record for more than three years may be barred from correction.

Women and Social Security

The Social Security system was designed in the '30s and in some ways still reflects the social pattern of that time—i.e., when the majority of women were homemakers, dependent on the economic support of their husbands. A couple's Social Security benefits were based on the earnings of the husband, with the dependent wife entitled to a share of them. A married woman today is entitled to Social Security benefits based either on her own earnings or 50 percent of her husband's, whichever is greater. Female retirees on the whole get substantially lower benefits than do retired men, because generally they earn less and frequently they interrupt their careers to care for children.

The size of the benefit a widow receives depends both on her age and the amount her spouse was entitled to. She cannot receive benefits before 60 unless disabled or caring for a child who is either under 16 or disabled. The benefits for widows under 60 usually stop when: a) she no longer has a disabled child or one under 16 in her care, or b) she remarries. Survivor's benefits are payable to unmarried children until age 18 (19 if attending secondary school full time).

A divorcee who was married at least 10 years can claim the same amount of her ex-husband's Social Security benefits that she would receive if still married to him, provided she is at least 62 and unmarried. Women divorced less than two years must wait until their former husbands are eligible for benefits before making a claim. Those who have been divorced two or more years can file beforehand. The divorcee might also be eligible for survivors' benefits at 60 if her ex-husband died. The entitlement of a former spouse has no effect upon the current spouse's right to benefits or their amount.

Benefits to a widow or divorced spouse can continue without reduction upon remarriage after age 60. Disabled widows and disabled divorced spouses who remarry after 50 do not lose benefits either. Check out the details of these and other benefits with your Social Security office.

Applying for Benefits

You cannot collect Social Security benefits if you don't apply for them. If you plan to retire at 62, for example, apply three months before your 62nd birthday. This will allow sufficient time for your claim to be processed. Don't put off applying because you fear you lack some of the proofs that the Social Security Administration requires. The staff can undoubtedly suggest some acceptable substitutes. If you have questions about this or anything else related to your benefits, call your local office, listed in the phone directory under "Social Security Administration" or "U.S. Government," or use the toll-free number: 1-800-234-5772.

If you don't qualify for Social Security and have had health problems that either wiped out your funds or prevented you from acquiring much, the federal *Supplementary Security Income* (SSI) will provide limited benefits. SSI is for disabled persons and those 65 and over who have limited income and resources. You can own your own home, car and personal belongings of reasonable value and still be eligible to receive SSI benefits. Call the Social Security 800 number to find out the current maximums in income and resources. Several states supplement the federal benefits.

Canada Government Plans

The Canadian government's retirement-income plans include the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP), as well as the Old Age Security Program. The latter ensures that all senior citizens have a minimum income.

Canada also has international social security agreements with certain other countries—including the U.S.—that coordinate the operation of the Old Age Security and CPP/QPP programs with comparable programs of theirs. The agreements guarantee benefits to any individual whose combined contributions and/or residency in Canada and the other participating country fulfill the minimum eligibility requirements of each.

The Canada and Quebec Pension Plans

The CPP/QPP plans are the basic Canadian public pension plans, covering virtually all employed and self-employed individuals in Canada. Although differing in some ways, these plans are closely coordinated so eligible individuals will be protected wherever they might live in Canada.

Both provide workers with retirement income, survivors' benefits and disability insurance, all earnings related and indexed to inflation. Once workers have been credited with contributions to either the CPP or the QPP for one year, they cannot lose their rights to a retirement pension even if they change jobs or leave Canada.

Contributions are made from age 18 to the time between 60 and 70 when the worker decides to retire. Employers contribute an equal amount. The amount of the retirement pension you receive depends on your level of earnings during your contributory period and the age at which you retire. Both contributions and benefits are based on earnings, with maximums set for each. The amount you would normally receive monthly if you retired at 65 will be decreased if you retire at 60; increased if you wait until 70. The maximum benefit is equal to 25 percent of the average industrial wage. Not all Canadians receive the maximum; part-time workers and women who have worked intermittently rarely do.

To find out how much CPP retirement income you're eligible for, contact the nearest Health and Welfare Canada office and ask for the most recent CPP Contributor Statement. In Quebec, contact the Regie des rentes du Quebec. Shortly before you're ready to retire, you'll need to fill out a special form obtainable at these offices.

Old Age Security Program

This income security program includes the Old Age Security pension (OAS), the Guaranteed Income Supplement (GIS) and the Spouse's Allowance. Administered by Health and Welfare Canada, the Old Age Security benefits are the foundation of most retirement plans, since they're available to all Canadians 65 years or older who satisfy certain residency requirements.

They are not paid automatically, however; you must apply for them. Application forms can be obtained from your Income Security Programs Office, Client Service Center, listed under Health and Welfare in the Government of Canada section of the phone directory. If you're unable to visit one of these offices yourself, either someone else can apply for you or a Health and Welfare Canada employee will come to your residence. The signature on the application must be yours, however.

Old Age Security Pension

Canadian citizens and landed immigrants 65 years of age or more, who have lived in Canada at least 10 years after reaching age 18, may be eligible for an Old Age Security Pension (OAS). Even before they retire! Equal benefits, indexed to inflation, are paid to both husband and wife, whether they've ever worked or not. Furthermore, if they've lived in Canada less than 10 years, they may qualify for a partial pension. (Provided they've resided in a country with which Canada has an international social security agreement.) To find out how much OAS pension you could be entitled to, check with the closest Old Age Security office.

Guaranteed Income Supplement

This monthly benefit is available only to Canadians with little or no income other than the OAS pension. The amount depends on income and marital status. The lower one's income is, the higher the supplement. To find out if you're eligible for a GIS, report your income to the government each year. You also must reapply for the GIS annually. This benefit is payable only in Canada.

Spouse's Allowance

If you're between 60 and 65, meet certain residence requirements, and your spouse receives an Old Age Security pension, you may qualify for the monthly allowance provided to spouses 65 and younger. (Your combined income cannot exceed a specified amount.) The pension continues until you reach 65 and are qualified to receive your own Old Age Security pension.

Widows and widowers between 60 and 65 and on a limited income may qualify for a widowed spouse's allowance. This continues until you reach 65 or remarry. Recipients of these allowances must reapply for them each year. These allowances are payable only in Canada.

Supplementary Provincial Programs

If you are 65 or older and don't qualify for the federal programs, you may be eligible for additional benefits from your province. For information, consult the blue pages of your phone directory for the number to call.

Health-Care Programs

Health insurance is absolutely vital for Americans of all ages but, as a group, the elderly are the most susceptible to illness—particularly chronic illnesses—and thus the most likely to incur huge medical expenses. This places them at greater risk of being wiped out financially. (In Canada, basic hospital and medical care services are available to all citizens, on a prepaid basis, regardless of age.)

Admittedly, a majority of U.S. citizens 65 and over are covered under Medicare. Many of them also have coverage under an employer group health-insurance plan and have either purchased a Medicare supplemental policy or belong to an HMO or prepaid competitive medical plan.

Unfortunately, it's the costs of long-term nursing care that are most likely to deplete the resources they've built up over a lifetime. Only a long-term-care policy offers protection against these expenses, and few senior citizens have this insurance today.

Brief summaries of these different kinds of health insurance follow.*

*YOUR INSURANCE DOLLAR, listed on the inside back cover, provides more detailed information on health insurance coverage.

Medicare

Medicare is a federally-administered health insurance program for people 65 and over and for younger disabled people who qualify for Social Security disability benefits. It consists of two parts.

Part A, *hospital insurance,* helps to pay for inpatient hospital care and certain follow-up care. It is free to those eligible for Social Security or railroad retirement benefits, and to those who have been in the employ of a government—federal, state or local—long enough to be insured under Medicare.

Part B, *medical insurance*, helps to pay for physicians' allowable charges and many other medical services and items. Part B is optional and must be paid for monthly. The premiums are usually deducted from the enrollee's monthly Social Security check. Persons age 65 and over who do not automatically qualify for Medicare may purchase Parts A and B coverage or Part B only.

Medicare requires hospitals to accept Medicare payments as payment in full, and prohibits them from charging Medicare patients for anything other than the usual deductible and co-insurance amounts. After you have paid a specified deductible, Medicare pays 80 percent of approved and reasonable doctor bills up to a yearly set limit. Be aware, however, that what Medicare determines to be reasonable can be far less than the amounts charged, and you will have to make up the difference. Your best bet is to find a doctor who will accept Medicare assignment.

You also should know that Medicare doesn't cover routine physical check-ups and related tests, private-duty nursing or custodial nursing care at all. Nor does it pay for immunizations... most dental work... foot care... vision and hearing exams, prescription glasses and hearing aids... or treatment outside the U.S. except, under limited circumstances, in Canada and Mexico.

Because of the Medicare Catastrophic Coverage Act of 1988, people eligible for Medicare will be better protected against the costs of *acute* illnesses.

Any deductibles, co-payments, services and treatments not covered by Medicare, however, must be paid from personal resources, by an employer-sponsored group health insurance plan, by a private supplemental insurance policy or by Medicaid, a government program for individuals with few resources. (See page 27.)

Medicare-Supplement Insurance

Medicare-supplement policies (commonly called "Medigap") can fill some of the gaps between Medicare and actual medical charges. Most supplemental health plans require your participation in Part A and Part B Medicare programs. Available from many insurance companies, Medigap policies differ widely in quality and price. If you're considering the purchase of a supplemental policy, examine it carefully.

Comparison shopping is vital, even though, for a policy to be advertised and sold as a Medicare supplemental policy, certain minimum coverage standards must be provided. Be sure the policy you select includes the features most important to you. One comprehensive Medigap policy should be all you'll need.

Employer Group Health-Insurance Plans

The traditional major-medical coverage offered by many employer group-plan policies to retirees will be changing as the Medicare Catastrophic Coverage Act is phased in. Even the biggest companies have for some time been moving to reduce their coverage of retired employees, in an effort to cope with rising health-care costs. Such benefits have always been considered discretionary; employers have been under no obligation to make any advance financial provisions for them. In fact, the 1974 Employee Retirement Income Security Act (ERISA) left group health-insurance plans largely unregulated.

Group coverage offered by an employer can sometimes be extended or converted to an individual Medigap policy at age 65 and this usually is advantageous to a retiree. The coverage might well be greater than you could get on your own, and you probably would not have to contend with waiting periods and exclusions for pre-existing conditions.

Health Maintenance Organizations

A *Health Maintenance Organization* (HMO) is a health delivery system comprised of a group of hospitals, doctors and other health care personnel who have joined together to provide members with prepaid medical care. Members pay a flat monthly or quarterly fee instead of the traditional insurance premium.

Some HMOs contract with Medicare to provide most kinds of care for Medicare beneficiaries on a prepaid basis. The Medicare program pays the HMO a set amount each month for every beneficiary who joins, regardless of whether he or she is sick or well. In return, the HMO agrees to provide all Medicare-covered services. Some Medicare members may be charged a monthly premium for benefits beyond those covered by Medicare, however.

Long-Term-Care Insurance

Long-term nursing care is potentially the greatest catastrophic expense of growing old, which is why an investment in a good long-term-care policy could considerably reduce the assets you'll need in your old age. Neither Medicare's new catastrophic coverage nor Medigap policies pick up these costs. Today, two out of three patients in nursing homes use up most of their assets within a year and must turn to Medicaid.

Commercial insurers offer long-term-care coverage in either a nursing home or the patient's residence. Most of these policies involve numerous restrictions. The majority of them pay a fixed amount each day; few adjust automatically to inflation; none provide blanket coverage for all expenses. Give careful consideration to the purchase of one of these policies. Premiums vary greatly, depending on one's age at the time of purchase and on the benefits offered. The better the benefits, the higher the premium.

For the names of insurers that offer affordable long-term-care policies in your state, contact your state Department of Insurance. Examine several policies and look for an A.M. Best & Co. rating of A.

Ideally, a long-term-care policy offers a wide variety of options. Here are some to look for:

- the coverage of three categories of medical care: skilled, intermediate and custodial
- hospitalization prior to admission not required
- a prior stay in a skilled nursing facility not required
- the coverage of organic brain diseases such as Alzheimer's and mental and nervous disorders guaranteed in writing
- the coverage of home care, adult day care and respite care
- benefits indexed to the inflation rate
- coverage that begins no later than 90 days after admission
- the number of years covered
- guaranteed renewability

Medicaid

Medicaid is a state-administered assistance program for Americans of all ages with few financial resources and incomes below the poverty level. Persons 65 or older, the blind, the disabled, family members with dependent children, and some other children are all eligible under the program. Although Medicaid varies from state to state, services such as inpatient care, outpatient services, X-rays, skilled nursing care and home health-care services are paid for. Many states also pay for dental care, prescription drugs and eyeglasses. Check with your Welfare Office for more information.

Life-Care Communities

For those who can afford them, another form of protection against the astronomical costs of long-term care are life-care communities. These comprehensive, solidly funded organizations guarantee for their residents food, housing, social activities and, if necessary, nursing home care, until death. They provide a full range of services, including physical therapy, home nursing care and housekeeping services as well. Life-care communities are specifically geared to the comfort and physical limitations of older people. They also are geared to the financially secure, as the admission and monthly costs can be substantial.

The challenge is to find a good one—financially sound and well-managed. And don't forget to read the contract carefully! Many life-care communities are now asking their residents to purchase private long-term-care insurance to help defray nursing home costs.

Canada Health-Care Benefits

The federal government makes payments to the provinces and territories for insured health-care services and certain extended health-care services. Most provinces, however, also provide a wide range of supplementary benefits and services for seniors, such as drug benefits, eyeglasses and homemaker services.

To obtain additional information on the health-care services provided within their province/territory, Canadian readers should call the nearest Ministry of Health office listed in the blue pages of their phone directory.

Handling Your Estate

Your estate includes everything you own—your home and all of its furnishings, jewelry, art, automobiles, investments, and any proceeds from insurance plans, annuities and retirement benefits. Because you have worked so hard to accumulate these assets, you want to be certain that they are distributed according to your wishes. That's where estate planning comes in. A good plan will allow you to:

- designate how you want your estate divided after your death.
- minimize any tax liabilities incurred by your heirs.
- appoint a guardian for minor children.
- choose an executor of your estate. (This person is responsible for paying your bills, filing your taxes and disbursing your assets after your death.)

Wills

A will is a legal document which stipulates how you want your estate divided. Consequently, it is one of the most valuable financial tools you have to protect your assets and to pass them on to your heirs. Without a will, the state or province in which you live will make this decision for you and most likely its choices would not be your own. For example, in many states your children would inherit two-thirds of your estate and your spouse one-third. If there are no children, your assets may be divided between your parents, siblings and a spouse.

While it is only natural to feel a little uncomfortable discussing your own mortality, don't let this stop you from writing a will. Just about everybody should have one, even if your assets are jointly owned. Incidentally, husbands and wives should each have their own wills.

In most cases the writing of a will is best handled by a lawyer. If you do not already have one, check with family, friends and business associates for recommendations. A will gives your name and address and states that the present document supersedes all others. Also included are directions for the distribution of your assets, along with the name of your executor and instructions for a guardian, if any. Final burial arrangements may be filed with the will, but if no one knows about such instructions, there is the possibility they won't be found until it is too late.

And don't forget to review your will periodically to be sure it is up to date. Changes in the tax laws, a marriage or divorce will require some alterations. It may also be necessary to write a new will, if you retire and move to another state.

Estate Taxes

It is said that the only two things which cannot be avoided are death and taxes. Certainly you cannot escape the former, but with careful planning you can reduce the amount of estate taxes paid by your heirs. In the U.S., the marital deduction allows you to leave an unlimited amount of property to your spouse tax free.* In addition, individuals may leave $600,000, including any taxable gifts you may have made during your lifetime, to other heirs with no tax consequences. This means that if your total net worth is under $600,000, it will pass directly to your heirs tax free. No additional tax planning is required.

Anyone with an estate valued at over $600,000 will need competent tax advice to shield their heirs from a heavy tax burden. One option is to make tax-free gifts while you are still living. In addition to charitable donations, you can give up to $10,000 annually to as many individuals as you'd like. Couples can give up to $20,000 jointly. A second alternative is to set up a trust with the aid of an attorney.

Trusts

A trust is a written document through which you turn your assets over to a third party such as a bank, to be managed on behalf of your beneficiaries. It does not, however, replace a will. The most common reasons for a trust are to shelter a portion of your estate from taxes, to arrange for the financial management of your estate until minor children reach legal age, and to avoid delays in the probate process. (The

*In Canada, there is no federal succession tax. In most cases, income that is received as a result of a death is reported at the time of death and taxed as a capital gain. Contact your local Revenue Canada or Revenue Quebec district office for information regarding T1 and T3 returns.

process by which your estate is liquidated, debts are paid and assets distributed.) Because of the complexity of various trust arrangements, you'll require the services of a lawyer who is well-skilled in estate planning.

There are a variety of trusts but generally all of them fall into two categories: testamentary and living. *Testamentary trusts* are established in your will and go into effect after your death. *Living trusts* instruct trustees as to how your assets are to be distributed while you are living. Trusts may also be revocable or irrevocable. With the former, you control the trust property and can make changes or terminate the trust. An irrevocable trust cannot be altered.

Other types of trusts include:

- Minor trusts, which protect your children's property should you die before they are of legal age.
- Insurance trusts, which distribute the proceeds of your life insurance benefits.
- Bypass trusts, which provide income for the lifetime of your spouse, after which assets pass directly to other heirs.
- Q-Tip trusts, which provide for any children you or your spouse may have from previous marriages.

Your original will and any trust documents should be kept with your lawyer or other secure place for safekeeping. If your state doesn't permit survivors to open your safe deposit box, only *copies* of these important papers should be kept there. Be sure that the executor of your estate knows where your will and tax information are filed.

Glossary

Annuity. A type of savings plan which provides a steady income during your retirement years.

Canada Pension Plan (CPP). A federal retirement plan which is compulsory for most workers. Benefits are payable upon retirement, disability or death. The Quebec Pension Plan (QPP), which is similar to the CPP, is for Quebec residents only.

Defined benefit plan. The traditional pension plan, under which the benefits are specified and paid for by the employer.

Defined contribution plan. A tax-deferred investment account to which both the employees and employers contribute. The amount of the benefit is undetermined until retirement.

Disability insurance. A type of insurance which provides income should you become disabled and unable to work.

Executor. The person designated in your will to pay your bills, file your taxes and disburse your assets after your death.

Home equity. The market value of your home minus the outstanding mortgage(s).

Integration. An arrangement under which an employee's pension is reduced by a percentage of the retiree's Social Security benefit.

Individual Retirement Accounts (IRAs). Tax-deferred savings plans which allow workers to place a portion of their income into retirement accounts of their choice.

Inflation. An overall increase in the price of goods and services and a decrease in the purchasing power of a dollar.

Keogh plans. Tax-deferred savings plans which allow self-employed individuals to contribute a portion of earned income into a retirement account.

Medicare. A federally-administered health insurance program in the U.S. for eligible persons over 65.

Net worth. All that you own minus all that you owe.

Old Age Security. Available in Canada only, this federal program provides supplemental income to senior citizens. Those with little or no income who receive Old Age Security may also apply for Guaranteed Income Supplements (GIS) which provide a minimum income to seniors.

Profit-sharing plans. Employer-sponsored retirement plans under which the employer invests a portion of the company's annual earnings in various investments for employees.

Registered Retirement Savings Plans (RRSPs). Canadian tax shelters which allow investors to set aside a portion of their income for retirement.

Salary-reduction plans. Employer-sponsored plans which allow workers to shelter a portion of their income for retirement. Also known as 401(k) plans and 403(b) plans.

Simplified Employee Pension Plans (SEPs). Retirement savings plans which allow small-business owners to contribute to employee IRAs. Self-employed persons can establish SEPs also.

Social Security. A U.S. government-sponsored program which provides supplemental retirement income to workers participating in the program. Social Security also provides disability insurance and survivors' and medical benefits.

Thrift plan. An employer-sponsored after-tax savings program in which the employer matches a percentage of the employee's contribution.

Trusts. Legal documents which transfer your assets to a third party such as a bank to be managed on behalf of your beneficiaries.

Vesting. A process by which an employee earns the right to pension benefits. Vesting usually occurs after five years of service.

Suggested Resources

Organizations

Upon written request, many trade associations, businesses and government agencies provide information on particular aspects of retirement planning. Some of these are listed below.

United States

American Association of Retired Persons (AARP)
1909 K Street, N.W.
Washington, D.C. 20049

American Council of Life Insurance
Education Relations and Resources
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599

Cooperative Extension Service
County offices are listed in the white pages of your local phone book under your specific county.

Health Insurance Association of America
1001 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2599

National Association of Investors Corporation
1515 East 11 Mile Road
Royal Oak, Michigan 48067

Pension Benefits Guaranty Corporation
2020 K Street, N.W.
Washington, D.C. 20006-1806

Pension Rights Center
Suite 704
918 - 16th Street, N.W.
Washington, D.C. 20006

Social Security Administration
6401 Security Boulevard
Baltimore, Maryland 21235

U.S. Department of Health and Human Services
Health Care Financing Administration
East High Rise Building
6325 Security Boulevard
Baltimore, Maryland 21207

U.S. Department of Labor
Pension and Welfare Benefits Administration
Washington, D.C. 20210

Canada

Health and Welfare Canada
Educational Services
Health Services Protection Branch
5th Floor
Ottawa, Ontario K1A 1B4

Revenue Canada
400 Cumberland Street
Room 4029
Ottawa, Ontario K1A 0L8

Books, Pamphlets and Periodicals

There are numerous publications available which cover nearly every aspect of retirement planning. Some of these are listed below for those wishing to study this subject in greater depth. Addresses for selected publications are given under *Organizations.*

United States

Knowing Your Rights. American Association of Retired Persons, 1909 K Street, N.W., Washington, D.C. 20049. Single copies free. **Your Vital Papers Logbook,** $4.95; and **What to Do With What You've Got,** $13.95. AARP Books, Department L078, Scott Foresman and Company, 1865 Miner Street, Des Plaines, Illinois 60016. ($1.75 postage and handling)

Changing Times. The Kiplinger Washington Editors, Inc., 1729 H Street, N.W., Washington, D.C. 20006. Twelve issues a year. $18.00.

Choice Time: Think Ahead on Long-Term Care. AEtna Life and Casualty, 151 Farmington Avenue, RWAC Hartford, Connecticut 06156. Free.

The Consumer's Guide to Long-Term-Care Insurance. HIAA Fulfillment, P.O. Box 41445, Washington, D.C. 20018. Free.

The Dow Jones-Irwin Guide to Retirement Planning. Vicker, Ray. Dow Jones-Irwin, 1818 Ridge Road, Homewood, Illinois 60430. $24.55.

Health Care and Finances: A Guide for Adult Children and Their Parents. Consumer Information Center. Pueblo, Colorado 81009. 50¢.

The Lifetime Book of Money Management. Weinstein, Grace W. New American Library, 1633 Broadway, New York, New York 10019. $12.95. (plus $1.50 postage and handling)

Medicaid/Medicare: There Is a Difference; Guide to Health Insurance for People with Medicare; Medicare and Employer Health Plans; Medicare and Prepayment Plans. U.S. Department of Health and Human Services. Free.

Money. P.O. Box 54429, Boulder, Colorado 80322-4429. Thirteen issues a year. $33.95.

The Money Book of Money. Klein, Robert. $19.95; **Money Guide.** Loeb, Marshall. $12.95. Little, Brown and Company, 200 West Street, Waltham, Massachusetts 02254.

Money Dynamics for the 1990s. Van Caspel, Venita. Simon & Schuster, Mail Order Billing, 200 Old Tappan Road, Old Tappan, New Jersey 07675. $22.95. Make check payable to Simon & Schuster.

Often-Asked Questions About Employee Retirement Benefits. U.S. Department of Labor. Free.

*(**Suggested Resources** continued)*

Acknowledgments

*(**Suggested Resources** continued)*

Social Security: How It Works for You; How You Earn Social Security Credits; and **Retirement.** Social Security Administration. Free.

Your Pension: Things You Should Know About Your Pension Plan. Superintendent of Documents, GPO 068-000-00002-5, Washington, D.C. 20402. $1.00.

Canada

Canadian MoneySaver. Box 370, Bath, Ontario K0H 1G0. Ten issues a year. $30.00.

Money. Cohen, Dian. Prentice-Hall Canada, Inc., 1870 Birchmount Road, Scarborough, Ontario M1T 2J7. $12.95.

Planning for a Successful Retirement and **Retirement As You'd Like It.** The Information Centre, Canadian Life and Health Insurance Association Inc., 20 Queen Street West, Suite 2500, Toronto, Ontario M5H 3S2. Single copies free.

Steps to Retirement. The Canadian Bankers' Association. Suite 600, The Exchange Tower, P.O. Box 348, 2 First Canadian Place, Toronto, Ontario M5X 1E1. Free.

Your Canada Pension Plan series on **Survivor Benefits, Old Age Security Pension, Retirement Pension,** and **Guaranteed Income Supplement.** Health and Welfare Canada. Free.

In order to present a well-balanced point of view in this booklet, a number of persons were consulted and many publications reviewed. This booklet represents a synthesis of information rather than the viewpoints of individuals or associations. For assistance in helping us obtain a clearer understanding of the subject, we give grateful acknowledgment to:

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You and Consumer Education

One of life's important concerns is the management of personal economic affairs to obtain the greatest satisfaction from the level of one's income. Essential to the development of economic competence is the ability to plan, organize, control and evaluate the use of resources to achieve goals—whether they relate to choosing a job, earning, spending, saving, borrowing, investing or making decisions for the future.

As individual consumers, teachers or leaders of consumers, we have the challenge to understand, communicate and apply basic principles of economics to everyday financial concerns. This will strengthen individual and family living and contribute to the development of more educated, competent citizens in our economy.

Money Management Institute *Consumer Education Materials*

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